

Minutes of the Financial Stability Oversight Council

Held June 11, 2012

PRESENT:

Timothy F. Geithner, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council

Ben Bernanke, Chairman, Board of Governors of the Federal Reserve System (Federal Reserve)

Martin J. Gruenberg, Acting Chairperson, Federal Deposit Insurance Corporation (FDIC)

Mary Schapiro, Chairman, Securities and Exchange Commission (SEC)

Gary Gensler, Chairman, Commodity Futures Trading Commission (CFTC)

Richard Cordray, Director, Consumer Financial Protection Bureau (CFPB)

Edward DeMarco, Acting Director, Federal Housing Finance Agency (FHFA)

Debbie Matz, Chairman, National Credit Union Administration (NCUA)

Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)

Roy Woodall, Independent Member with Insurance Expertise

Michael McRaith, Director, Federal Insurance Office, Department of the Treasury (non-voting member)

John P. Ducrest, Commissioner, Louisiana Office of Financial Institutions (non-voting member)

John Huff, Director, Missouri Department of Insurance, Financial Institutions, and Professional Registration (non-voting member)

David Massey, Deputy Securities Administrator, North Carolina Department of the Secretary of State, Securities Division (non-voting member)

GUESTS:

Department of the Treasury

Mary J. Miller, Under Secretary for Domestic Finance

Amias Gerety, Deputy Assistant Secretary for FSOC

Christopher J. Meade, Acting General Counsel

Board of Governors of the Federal Reserve System

Daniel K. Tarullo, Governor

Federal Deposit Insurance Corporation

Art Murton, Director, Division of Insurance and Research

Securities and Exchange Commission

Jennifer McHugh, Senior Advisor to the Chairman

Commodity Futures Trading Commission

Dan Berkovitz, General Counsel

Consumer Financial Protection Bureau
Garry Reeder, Senior Advisor, Office of the Director

Federal Housing Finance Agency
Mario Ugoletti, Special Advisor to the Director

National Credit Union Administration
John Worth, Chief Economist

Office of the Comptroller of the Currency
John Lyons, Senior Deputy Comptroller and Chief National Bank Examiner

Office of the Independent Member with Insurance Expertise
Chris Ledoux, Senior Advisor

Federal Reserve Bank of New York
William Dudley, President and Chief Executive Officer

Federal Insurance Office
John Nolan, Senior Policy Advisor

Louisiana Office of Financial Institutions
Michael Stevens, Senior Vice President and Director of Regulatory Affairs, Conference of State
Banking Supervisors

Missouri Department of Insurance, Financial Institutions, and Professional Registration
Mark Sagat, Government Relations Policy Counsel and Manager, National Association of
Insurance Commissioners

North Carolina Department of the Secretary of the State, Securities Division
Joseph Brady, Deputy General Counsel, North American Securities Administrators Association

PRESENTERS:

Macro-environment Overview: Update on Europe

- *Lael Brainard, Under Secretary for International Affairs, Treasury*
- *Andreas Lehnert, Deputy Director, Office of Financial Stability Policy and Research, Federal Reserve*

Update on JPMorgan Chase & Co. Trading Losses

- *John Lyons, Senior Deputy Comptroller and Chief National Bank Examiner, OCC*

Update on the Council's 2012 Annual Report

- *David Marshall, Senior Vice President, Federal Reserve Bank of Chicago*

Tri-Party Repo Update

- *Susan McLaughlin, Senior Vice President, Federal Reserve Bank of New York*

Report to Congress on Actions Taken in Response to the U.S. GAO's Report on the NCUA's Supervision of Corporate Credit Unions and Implementation of Prompt Corrective Action

- *John Worth, Chief Economist, NCUA*

Executive Session

The Chairperson called the executive session of the meeting of the Financial Stability Oversight Council (Council) to order at approximately 1:01 P.M. (EDT).

The Chairperson began by outlining the meeting agenda, which had been previously distributed to the members together with copies of the resolutions and other materials. The agenda for the meeting included the following subjects: (1) an update on Europe; (2) an update on recent trading losses at JPMorgan Chase & Co.; (3) an update on the Council's 2012 Annual Report; (4) a tri-party repo update; (5) consideration of, and a vote on, a resolution approving a report to Congress on actions taken in response to the U.S. GAO's report on the NCUA's supervision of corporate credit unions and implementation of prompt corrective action; and (6) consideration of, and a vote on, a resolution approving the minutes from the Council's meeting on May 22, 2012.

1. Macro-environment Overview: Update on Europe

The Chairperson turned to the first agenda item and asked Lael Brainard, Under Secretary for International Affairs at Treasury, and Andreas Lehnert, Deputy Director, Office of Financial Stability Policy and Research at the Federal Reserve, to give an update on Europe. After the presentation, members of the Council asked questions and had a discussion.

2. JPMorgan Chase & Co. Trading Losses Update

The Chairperson then raised the agenda item regarding an update on recent trading losses at JPMorgan Chase & Co. John Lyons, Senior Deputy Comptroller and Chief National Bank Examiner at the OCC, gave a presentation. The members of the Council asked questions about the presentation and had a discussion.

3. Update on the Council's 2012 Annual Report

The Chairperson turned to the next agenda item regarding the 2012 Council annual report and asked David Marshall, Senior Vice President at the Federal Reserve Bank of Chicago, to give the presentation. Mr. Marshall explained that the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) sets forth requirements for the Council's annual report to Congress. The Dodd-Frank Act requires the Council to report on, *inter alia*, its activities, significant financial market and regulatory developments, potential emerging threats to U.S. financial stability, all determinations made under section 113 or Title VIII of the Dodd-Frank Act, and the basis for such determinations, and recommendations to enhance the integrity, efficiency, competitiveness, and stability of U.S. financial markets, to promote market discipline, and to maintain investor confidence. Mr. Marshall explained that the staff proposes that the

2012 annual report will have the same seven sections as the 2011 report. These proposed seven sections are: 1) a letter from the Chair; 2) an executive summary; 3) recommendations; 4) the macroeconomic environment; 5) financial developments; 6) regulatory developments; and 7) potential emerging threats. Following Mr. Marshall's presentation, the members of the Council asked questions and had a discussion.

4. Tri-Party Repo Update

The Chairperson then turned to the next agenda item and called on Susan McLaughlin, Senior Vice President at the Federal Reserve Bank of New York, to give a presentation. After the presentation, members of the Council asked questions and had a discussion.

5. Report to Congress on Actions Taken in Response to the U.S. GAO's Report on the NCUA's Supervision of Corporate Credit Unions and Implementation of Prompt Corrective Action

The Chairperson then raised the agenda item regarding a report to Congress on actions taken in response to the U.S. GAO's report on the NCUA's supervision of corporate credit unions and implementation of prompt corrective action. John Worth, Chief Economist at the NCUA, gave a presentation. The National Credit Union Authority Clarification Act (the Act) requires the Comptroller General of the United States (the head of the Government Accountability Office) to report on the NCUA's supervision of corporate credit unions and implementation of prompt corrective action. The Act further requires the Council to submit a report to Congress on actions taken in response to the Comptroller General's report. After Mr. Worth's presentation, members of the Council asked questions and had a discussion. The Chairperson then presented to the Council the following resolution approving the Council's report to Congress.

“RESOLUTION APPROVING A REPORT TO CONGRESS REGARDING ACTIONS TAKEN IN RESPONSE TO A COMPTROLLER GENERAL REPORT ON SUPERVISION OF CORPORATE CREDIT UNIONS AND PROMPT CORRECTIVE ACTION

WHEREAS, section 4(d) of the National Credit Union Authority Clarification Act (the “Act”) requires the Financial Stability Oversight Council (the “Council”) to submit a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives (the “Committees”) regarding the actions taken in response to a report conducted by the Comptroller General (“GAO”) on the National Credit Union Administration’s (the “NCUA”) supervision of corporate credit unions and implementation of prompt corrective action, including any recommendations issued by the Council to the NCUA under section 120 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and

WHEREAS, section 4(d) of the Act requires the Council’s report to be submitted not later than six months after the date of receipt of the GAO’s report; and

WHEREAS, on January 4, 2012, the GAO completed its report on the NCUA’s supervision of corporate credit unions and implementation of prompt corrective action; and

WHEREAS, the staffs of the Council Members and their Agencies have reviewed the GAO report and have prepared a draft report from the Council that, consistent with the Act, describes the Council's consideration of the report issued by GAO and actions taken by the Council and the NCUA in response to the GAO report; and

WHEREAS, staffs of the Council Members and their Agencies recommend that the Council approve the attached report so that the Chairperson may submit it to the Committees.

NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the attached report and authorizes the Chairperson, or his designee, to cause the attached report to be submitted to the Committees in accordance with section 4(d) of the Act and to otherwise make the report available to the public as the Chairperson deems appropriate, in a form and manner acceptable to the Chairperson, or his designee.

BE IT FURTHER RESOLVED, that the Council hereby authorizes the Chairperson, or his designee, to make technical, nonsubstantive, or conforming changes to the text of the attached report so that the Chairperson can submit the attached report, and to take such other actions and issue such other documents incident and related to the foregoing as the Chairperson, or his designee, deems necessary or appropriate to fulfill the Chairperson's objectives in connection with its submission."

The Chairperson asked for a motion approving the resolution, which was made and seconded. The Council then approved the resolution by unanimous vote.

6. Resolution Approving the Minutes of the Meeting held on May 22, 2012

"BE IT RESOLVED, by the Financial Stability Oversight Council (the "Council"), that the minutes attached hereto of the meeting held on May 22, 2012 of the Council are hereby approved."

The Chairperson asked for a motion to approve the resolution, which was made and seconded. The Council then approved the resolution by unanimous vote.

The Chairperson asked for a motion to adjourn the meeting, and the Council voted to adjourn. The Chairperson adjourned the meeting at approximately 2:44 P.M. (EDT).